(c) whether there is any possibility that interest rate against States borrowings can be slumped upto 5 to 6 per cent; and

(d) if so, Government's approach thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) States have been facing financial problems due to increase in the debt liabilities which have gone up from 24.9% of GDP in 1999-2000 to about 31.7% of GDP in 2004-05.

(c) and (d) Not in the short term. However, with respect to the Central loans disbursed to States up to 31.3.2004 and as outstanding on 31.3.2005, Government of India has accepted the recommendation of the Twelfth Finance Commission, to consolidate such loans at a reduced interest rate of 7.5% with repayment in 20 equal annual instalments subject to States enacting their FRBM Act.

Waives of agricultural loans to farmers

1421. SHRI S. ANBALAGAN: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to waive/write-off/schedule/ restructure the agricultural loans to farmers in view of recent floods in many parts of the country;

(b) if so, the details thereof; and

(c) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) The Reserve Bank of India has issued standing instructions to banks in August, 1984 (revised in June, 1998) for providing relief in areas affected by natural calamities, including flood. With a view to allowing greater discretion to banks to decide upon the quantum of relief assistance to be provided to the affected farmers, the modified guidelines, *inter-alia*, permit banks to:

- Convert/reschedule loans in the event of natural calamity for periods ranging from 3 to 9 years, depending upon the succesive crop failure/intensity of damage to crops.

- Grant fresh crop loans to affected farmers.
- Convert principal as well as interest due on the existing loans.
- Not to treat portion of converted rescheduled loans as Non Performing Assets (NPAs).
- Not to compound interest on current dues.
- Relax security and margin norms.
- Provide consumption loans to agriculturists whose crops have been damaged.

Further, the Government announcd a policy package on June 18, 2004 which includes providing relief to the farmers who have suffered losses on account of successive droughts, floods etc. In pursuance of this package, Reseve Bank of India has issued guidelines on 24th June, 2004 for debt rescheduling/restructuring and fresh loans to farmers affected by natural calamities. As per the guidelines, debts as on March 31, 2004 of all farmers, who suffered production and income losses on account of successive natural calamities, *i.e.* drought, flood, or other calamities which might have ocurred in the districts for two or more successive years during the past five years, may be rescheduled/ restructured by banks provided the State Government concerned has declared such districts as calamity affected. Accordingly, the interest outstanding/accrued in the accounts of such borrowers (crop loan and agriculture term loans) upto March 31, 2004, may be clubbed with the principal outstanding therein as on March 31, 2004, and the amount thus arrived at shall be repayable over a period of five years, at current interest rates, including an initial moratorium of two year. On restructuring as above, the farmers concerned will become eligible for fresh loans.

(c) Does not arise.

Revival of M/s J. K. Synthetics

†1422. SHRI LALIT KISHORE CHATURVEDI: Will the Minister of FINANCE be pleased to state:

(a) the action being taken by Government so far to revive M/s J. K. Synthetics, Kota (Rajasthan);

†Original notice of the question was received in Hindi.